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Market Administrator's

BULLETIN

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Changing Fluid Milk Distribution Patterns

The Dairy Situation, Economic Research Service, USDA, September, 1966

Recently reported data for 67 Federal markets show that 87 percent of fluid milk product sales was whole milk items: 10 percent, skim milk items; 2 percent, milk and cream mixtures; and about 1 percent, cream items. About 72 percent of total sales in these markets was at wholesale (all sales other than home delivery, including sales to food stores, school, hospitals, restaurants, and other outlets). Thirty years ago, about 70 percent was home delivered and only 30 percent was at wholesale.

While this shift has been occurring for many years, the trend may be slowing. Some milk handlers are starting to place more emphasis on home-delivery sales. Larger containers, fewer deliveries, an expanded line of products, increased emphasis on service, and price discounts will likely become more common on home delivery routes. Other dealers have sold their home delivery routes to specialized distribution firms (sub-dealers or vendors). Some fluid milk processors have closed their bottling plants and become sub-dealers for other fluid milk handlers. Among regions, home deliveries varied widely in importance, from over 50 percent of 1965 milk sales in New England, to about 30 percent in the East South Central region.

Gallon and half-gallon containers

continued to increase in importance. Of whole milk sales in November 1964, 53 percent was in half-gallon containers and about 18 percent in gallons compared with 43 percent respectively in November 1962. Over 60 percent of skim milk sales was in half-gallons and 27 percent in quarts in November 1964. Smaller sized containers were more important in the distribution of cream and milk and cream mixtures.

Only 29 percent of milk sales in the Middle Atlantic region was in half-gallons (64 percent was in quarts), compared with 67 percent in the West Central region in 1965. Gallon containers were most important in the West South Central region, where they were used for 31 percent of milk sales.

Sales in bulk containers (5 quarts and over) represented about 6 percent of whole milk sales; most were in 10-quart or larger dispenser containers to wholesale outlets. Bulk sales in 5-10-quart bag-in-box containers represented only about 1 percent of whole milk sales.

The glass quart, once the most important container for fluid milk, accounted for only 5 percent of fluid milk sales, compared with about 40 percent for the paper half-gallon.

Fluid milk in all paper containers
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World Milk Production Gaining

The Dairy Situation, Economic Research Service, USDA, September, 1966

This year through June, milk production in nearly all European countries continued above a year earlier. However, the rate of increase has slackened in recent months. In the first quarter of 1966, milk deliveries in 11 major Western European dairy countries were 1 percent above the previous year's high level. Generally favorable producer prices, good weather and ample roughage supplies, particularly within the European Economic Community (EEC), continue to encourage increased milk output. Also, steady or increasing milk cow numbers and production per cow point toward larger milk production in the remainder of 1966. The rate of increase, however, is expected to average below the 3-percent gain from 1964 to 1965. Current estimates place 1966 West European production at around 238 billion pounds.

In Oceania milk output is running slightly above last year. New Zealand continues to establish production records, but Australian production has yet to recover completely from drought conditions which reduced 1965 output.

In Asia, Japan continues to increase milk production. Japan's output totaled 3.8 billion pounds in the first
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Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$5.85	\$5.90	\$4.86
Class I (3.5%)	5.87	5.89	4.82
Class II (3.5%)	4.02	4.29	3.34
Producer Butterfat Differential for each one-tenth percent	9.6¢	9.8¢	8.1¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	85.5	87.7	83.7
Percent of Producer Butterfat in Class I	78.1	83.4	79.8
Percent of Producer Milk in Class II	14.5	12.3	16.3
Percent of Producer Butterfat in Class II	21.9	16.6	20.2

PRODUCER MILK RECEIPTS

Total Pounds Producer Milk Delivered	42,216,938	40,088,926	45,271,423
Average Daily Class I Producer Milk	1,361,837	1,336,298	1,261,146
Total Number of Producers	1,501	1,496	1,642
Average Daily Receipts per Producer	907	893	889
Average Butterfat Test	3.80	3.64	3.70
Total Value of Producer Milk at Test	\$2,462,290	\$2,328,095	\$2,138,707
Income per Producer (7 Day Average)	\$370	\$363	\$294

GROSS CLASS USE (Pounds)

Class I Skim	34,834,329	33,955,999	36,564,634
Class I Butterfat	1,252,053	1,216,572	1,335,668
Class I Milk	36,086,382	35,172,571	37,900,302
Class II Skim	5,778,453	4,674,362	7,032,414
Class II Butterfat	352,102	241,992	338,707
Class II Milk	6,130,555	4,916,354	7,371,121

AVERAGE DAILY SALES (Quarts)

Milk	424,875	426,459	452,305
Buttermilk	5,727	6,283	5,789
Chocolate	32,085	33,135	33,036
Skim	11,935	10,870	13,379
Cream	7,607	7,442	9,622

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



OCT., 1957 - '66

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1957	25,608,115	3.79	82.3	6.9	4.6	6.2	4.34	4.519	4.119	4.019	3.096	1,887	438
1958	24,738,205	3.77	85.7	8.3	1.7	4.3	4.30	4.420	4.020	3.920	2.894	1,746	457
1959	26,207,693	3.86	92.0	5.9	1.0	1.1	5.11	4.697	4.297	3.865	3.116	1,727	490
1960	27,938,777	3.80	86.1	7.9	1.6	4.4	4.84	4.502	4.102	3.913	3.100	1,588	568
1961	29,631,204	3.76	82.8	7.1	2.8	7.3	4.79	4.503	4.103	3.881	3.255	1,234	775
1962	35,113,477	3.74	79.3	7.1	3.2	10.4	4.50	4.27	3.872	3.637	3.011	1,330	852
1963	35,733,401	3.72	89.0	7.4	1.5	2.1	4.83	4.43	4.095	3.746	3.094	1,364	845
1964	43,168,771	3.78	89.9	10.1	—	—	4.74	4.59	3.24	—	—	1,686	825
1965	45,271,423	3.70	83.7	16.3	—	—	4.86	4.82	3.34	—	—	1,642	889
1966	42,216,938	3.80	85.5	14.5	—	—	5.85	5.87	4.02	—	—	1,501	907

DAIRY FARM LABOR TRENDS

The Dairy Situation, Economic Research Service, USDA, September, 1966

Labor used on U. S. farms for milk production reached a low of 1.3 billion man-hours in 1965. In the past decade, U. S farm family workers (including operators) decreased 35 percent to 4.1 million, and hired workers decreased 22 percent to 1.5 million. The decrease from 1964 was 7.3 percent, compared with a 6-percent drop from 1963 to 1964. This is a continuation of the downtrend that started during World War II. Milk production per man-hour has been gaining as a result of both the drop in labor per milk cow and the rise in output per cow. Labor for milk cows—which excludes labor used in producing feed and caring for herd replacements—is declining further in 1966. The 46 percent decline in milk cow chores between 1955 and 1965 was a steeper rate of decline than the change in the total farm employment.

On dairy farms, farm operators and family workers provide most of the labor because of the year-round nature of dairy chores. In 1965, hired workers averaged only 11 percent of the work force on commercial dairy farms compared with 27 percent of the total farm labor force. Hired labor is more important on larger dairy farms however. These larger farms have been increasing in number for many years.

Farm wage rates have trended upward for several years. National wage

rates from 1955 to 1965 increased about 40 percent and, so far this year, are 7 percent higher than last year. Among regions, the rate of change for the 10-year period was greater in the southern regions but less in the North Central area in the Nation. However, the actual wage rates varied from 20 percent below the U. S. average in the South Atlantic Region to 20 percent higher in the Pacific Region.

Differences between farm and non-farm wages are a continuing problem. Nationally, farm rates in 1965 were substantially lower than manufacturing and construction, somewhat lower than retailing, and about 20 percent below the average paid for laundry and dry cleaning work. These differences have widened over the past decade. As a reflection of lower farm wage rates and intermittent work, earnings of farm workers, in general, fell below those Bureau reported that 1964 earnings of farm laborers and foremen were about \$2,000 less than earnings of laborers in work other than farming or mining.

Workers consider other factors important, too, and they find many features of farm work such as working conditions, "fringe benefits" and job security, unattractive compared with nonfarm work. Also, specified working hours, and extra pay for overtime on farms are rare.

WORLD MILK PRODUCTION

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half of 1966, up 6 percent from the same period of 1965.

Output in North America continues substantially below year earlier levels. Production in the United States and Canada was down 4 and 1 percent, respectively in the first 6 months of 1966.

Increased milk output in Western Europe is raising production of the principal manufactured dairy products (butter, cheese, and nonfat dry milk) which began expanding at a rapid rate in 1965. Western Europe's production of butter and nonfat dry milk in 1966 likely will exceed the record 3.9 and 1.9 billion pounds respectively achieved in 1965. Among major Western European milk producing countries, only the Netherlands, Denmark, and Sweden have reported lower butter output in 1966 than in 1965. In these countries larger quantities of milk are being channeled into cheese in response to currently favorable prices.

Western Europe's consumption had failed to keep pace with the increased output and as a consequence, butter stocks continue to increase, though more slowly than in 1965. Stocks on July 1 were at record levels and holdings in 13 Western European countries totaled 586 million pounds, compared with 542 million a year earlier and an average of 393 million pounds for 1962-64. Nearly 60 percent of the holdings are in the EEC, principally France and West Germany.

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accounted for 64 percent of total fluid milk sales in November 1964; glass containers for 30 percent; plastic containers for 3 percent; and metal cans for about 3 percent. The increase in the proportion of fluid milk sales made through food stores has been chiefly responsible for shifts in types of containers—to the one-trip paper carton and the multi-quart package. Glass is still most important on home delivery routes.

Although sales in rigid plastic containers still were a small percent of total sales in November 1964, these containers then were new, and their use may have increased since that time. Plastic containers are relatively important in some markets. Progress has been made in solving some of the problems of filling, capping, and handling plastic containers. Apparently the higher present cost of the plastic container, compared with both paper and glass, and problems in the filling operation remain obstacles to more rapid adoption. Most plastic milk cartons are nonreturnable, but reusable plastic containers recently have been adopted in some areas. More widespread adoption is partially dependent on approval by State and local health jurisdictions. Plastic lined corrugated dispenser containers are replacing metal cans on wholesale routes of some dealers.

Market Quotations

OCTOBER
1966

MINNESOTA - WISCONSIN PRICE SERIES	\$4.26
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.92
Average Price per lb. 92-score butter at Chicago	.6880
Average carlot prices non-fat dry milk solids roller and spray process, f.o.b. manufacturing plant	.1964

Import Prospects for 1966-67

The Dairy Situation, Economic Research Service, USDA, September, 1966

Increasing world milk output and continuing large world butter stocks and the relatively tight supply-demand situation in the United States suggest that dairy exporting countries are likely to continue to offer dairy products for sale at competitive prices in the United States. The 1,798 million pounds milk equivalent of imports in 1965-66 were authorized under Section 22 of the Agricultural Adjustment Act, as amended, are in effect for many products, last year's rise was due chiefly to entry of non-quota products.

Ample world dairy product supplies in 1965-66 resulted in steady or lower prices for all dairy products, except for nonfat dry milk. Wholesale prices of dairy products are higher in the United States than surplus producing nations. The current tight U. S. supply and restrictions in other importing countries are causing some foreign firms to manufacture products specifically for

the U. S. market. Examples of this are Colby cheese, for which imports doubled in 1965-66, and butterfat/sugar products, which had been imported since 1961 in relatively small amounts. Since July 11, 1966, the United States has prohibited entry of butterfat/sugar mixtures containing over 25 percent sugar in the solids.

U. S. imports of dairy products totaled \$81 million in the year ending June 30, 1966, compared with \$68 million a year earlier. In contrast, U. S. exports fell from \$216 million in 1964-65 to \$174 million in 1965-66 more than offset higher prices. The gain in imports reflected both higher prices and larger quantities. Imports consisted largely of cheese, products containing 44 percent milkfat, and casein. The principal suppliers of dairy imports were Western Europe, Argentina, Australia, Canada and New Zealand.